

INDIANA HEALTH FACILITY
FINANCING AUTHORITY

ANNUAL REPORT

JULY 1, 2003 – JUNE 30, 2004

INDIANA HEALTH FACILITY
IHFFA
FINANCING AUTHORITY

David H. Windley, Chair
John F. Gaither, Vice Chair
William F. Haley, Treasurer
Carl L. Bradley
Priscilla D. Keith
Douglas J. Leonard
Deborah A. Sturges

Jill Harris Tanner
Executive Director

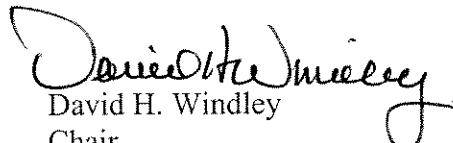
December 1, 2004

The Honorable Joseph E. Kernan
Governor of Indiana
206 State House
Indianapolis, Indiana 46204

Dear Governor Kernan:

The Indiana Health Facility Financing Authority is pleased to submit a report of its activities through June 30, 2004, in accordance with the requirements of IC5-1-16-35.

Respectfully submitted,


David H. Windley
Chair

c: Hon. Robert D. Garton
President Pro Tem - Senate

Hon. Brian Bosma
Speaker of the House

Legislative Council

ANNUAL REPORT
INDIANA HEALTH FACILITY FINANCING AUTHORITY
JUNE 30, 2004

MEMBERS OF THE AUTHORITY

Members of the Authority are appointed by the Governor. The present members are:

David H. Windley, Chair. Term expires: July 1, 2008. Residence: Seymour, Indiana. Partner in Charge, Seymour Office of Blue & Co. LLC, an Indiana-based C.P.A. firm; Past Chairman, Board of Trustees, Eureka College; Treasurer and Member, Board of Directors, Community Foundation of Jackson County; Past President, Boys & Girls Club of Seymour, Inc.; Treasurer and Board Member, Robin Run Living Center; Past President, Downtown Seymour Development Corporation.

John F. Gaither, C.P.A., *Vice Chair*. Term expires: July 1, 2007. Residence: Evansville, Indiana. Retired Partner of the Certified Public Accounting Firm of Gaither Rutherford & Co., Evansville, Indiana; Consultant in health care; former Divisional Controller of Whirlpool Corporation; former Assistant Professor at the University of Evansville; former Member of Indiana Hospital Rate Review Committee and Indiana Transportation Coordinating Board; former Chairman of Indiana University Medical School Community Advisory Committee; former City Controller and Deputy Mayor of Evansville, Indiana; former Chairman of the Indiana Energy and Utility Regulation Advisory Commission and the Governor's Select Commission on Educational Finance.

William F. Haley, *Treasurer*. Term expires: July 1, 2008. Residence: Terre Haute, Indiana. Consultant, Innsbruck Financial Consultants, LLC; President, The Irish Group, Incorporated; Vice President, Con-Tex Construction; Member of the Board of Catholic Charities of Terre Haute; Member, The Men of Carmel; Volunteer, Ryves Hall Youth Center.

Carl L. Bradley, *Member*. Term expires: July 1, 2006. Residence: Fort Wayne, Indiana. Retired Principal, Vintage Archonics, Inc., Architects Engineers Planners of Fort Wayne, Indiana; Fellow, American Institute of Architects; Past President, Indiana Society of Architects; former Chairman, Construction Industry Arbitration Committee of the American Arbitration Association; former Director, Fort Wayne Chamber of Commerce, Allen County Historical Society, American Federal Savings and Indiana Capital Corporation.

Douglas J. Leonard, *Member*. Term expires: July 1, 2006. Residence: Columbus, Indiana. President and Chief Executive Officer, Columbus Regional Hospital, Columbus, Indiana, and Southeastern Indiana Health Systems, Columbus, Indiana; Recipient, Creating Healthier Communities Fellowship; Chairman, Indiana Health and Hospital Association; Chairman, Columbus Chamber of Commerce; Multi County Health Network Board of Directors; Heritage Fund Board of Directors; Columbus Economic Development Board of Directors.

Deborah A. Sturges, *Member*. Term expires: July 1, 2005. Residence: Fort Wayne, Indiana. Senior Vice President, Waterfield Mortgage, Fort Wayne, Indiana; Chairman of the Board of Directors of Parkview Hospital; Member of the Board and Executive Board of Parkview Health System and Parkview Hospital and Member of the

Board of Directors of the Fort Wayne Chamber of Commerce; United Way of Allen County 1999 Campaign Chair and 2001 Board Chair; Member of the Indiana University-Purdue University Fort Wayne School of Business and Management Sciences Advisory Council; Board Member for the Midwest Health Education Alliance Foundation; Board Member of Anthony Wayne Services.

Priscilla D. Keith, *Member*. Term expires: July 1, 2005. Residence: Indianapolis, Indiana. General Counsel, Health and Hospital Corporation of Marion County; Member of the Board of Directors, Children's Bureau of Indianapolis; Stanley K. Lacey Executive Leadership Series, Class XVIII.

Members whose terms have expired continue to serve until their successors are appointed and qualified.

AUTHORITY STAFF

Ms. Jill H. Tanner is the Authority's Executive Director. Ms. Sheryl L. Page is the Authority's full time Administrative Assistant.

THE AUTHORITY

The Authority was established by the General Assembly in 1983 enabling healthcare providers to obtain access to capital by issuing debt instruments, usually on a tax-exempt basis, thereby making healthcare available at reasonable costs to the citizens of Indiana.

Amendments to the 1983 statute extended the scope of the Authority to include brick and mortar projects for hospitals, regional blood banks, residential facilities for the developmentally disabled and related healthcare organizations.

The Authority's bonds are payable solely out of loan payments from the healthcare institutions. The bonds are not a debt, liability or moral obligation of the State of Indiana. The credit supporting the Authority bond issues is secured by insurance, letters of credit and/or the creditworthiness of the institution involved.

Interest paid on Authority bonds is generally excludable from gross income for Federal tax purposes resulting in materially lower financing costs to the borrowing institution.

THE YEARS IN PERSPECTIVE

Through 20 years of operation, the Authority has funded all activities from user fees and expects to continue user-based fees in the future.

The year ending June 30, 2004 was another excellent year for Authority financing by Indiana healthcare providers. Special Transactions were completed in the amount of \$669,714,000. In the first 19 years the Authority produced \$5,705,611,955 in loans.

During fiscal years 2003 and 2004, the Authority produced \$1,077,560,000 and \$669,714,000 in loans respectively. (See Graph I)

Effective July 1, 2001, the Indiana Legislature amended the Authority's governing statute to allow the Authority to finance projects outside the state of Indiana under certain circumstances. In order to finance such projects, the borrower must have a substantial presence in Indiana and a substantial portion of the project being financed must be for the benefit of an Indiana healthcare provider. During the year ending June 30, 2004, the Authority completed one multi-state special transaction. The Authority believes this legislation benefits Indiana health care providers by allowing them to coordinate their multi-state financing projects through one issuer, thereby increasing efficiency and achieving substantial savings in issuance costs. The Authority expects to continue to experience a demand for multi-state transactions.

During the fiscal year ended June 30, 2004, the Authority instituted a new loan program called the Direct Purchase Bond Program, which is designed to assist borrowers with relatively small loans ranging in size from \$500,000 to \$5,000,000. The bonds under this program are purchased directly by a bank of the borrower's choosing, at rates negotiated by the borrower and the bank. During fiscal year 2004, the Authority completed four transactions under this new program totaling \$6,784,837.

A REVIEW OF FINANCIAL ACTIVITIES

I. The 1984A issue was \$37,100,000 with a fixed loan rate of 8 3/4 percent and a maturity of December, 1990. Seven hospitals borrowed from this fund:

Bloomington Hospital	Bloomington	\$2,835,000.00
Community Hospital	Indianapolis	1,321,228.00
Dearborn County Hospital	Lawrenceburg	640,000.00
Elkhart General Hospital	Elkhart	1,007,795.00
Pulaski Memorial Hospital	Winamac	452,267.00
St. Joseph's Hospital	Huntingburg	394,019.00
Welborn Memorial Baptist Hospital	Evansville	2,835,125.00

The 1984A bond issue was paid in full on December 1, 1990.

II. The 1985A issue is \$92,400,000 (previously \$100,000,000) with a variable rate and a 30 year maturity. Sixty-two loans to thirty-six borrowers were made from this fund since 1986. (See Graph II)

Adams County Memorial Hospital (2)	Decatur	\$ 2,500,000.00
Bartholomew County Hospital	Columbus	5,000,000.00
Cardinal Health System, Ball Memorial Hospital and Blackford Community Hospital	Various	12,500,000.00
Caylor Nickel Hospital	Bluffton	3,000,000.00

Clark Memorial Hospital	Jeffersonville	1,500,000.00
Clinton County Hospital	Frankfort	1,800,000.00
Community Hospital	Indianapolis	12,000,000.00
Community Hospital (2)	Munster	20,000,000.00
Dearborn County Hospital (3)	Lawrenceburg	15,000,000.00
Dunn Memorial Hospital	Bedford	2,000,000.00
Floyd Memorial Hospital (2)	New Albany	6,000,000.00
Gibson General Hospital	Princeton	350,000.00
Goshen General Hospital (2)	Goshen	3,348,741.00
Greater Lafayette Health Services, Inc.	Lafayette	10,000,000.00
Hancock Memorial Hospital (2)	Greenfield	4,300,000.00
Howard Community Hospital (3)	Kokomo	19,846,000.00
Johnson Memorial Hospital	Franklin	3,900,000.00
King's Daughters' Hospital (2)	Madison	3,500,000.00
Lafayette Home Hospital (4)	Lafayette	23,000,000.00
LaPorte Hospital, Inc.	LaPorte	2,000,000.00
Major Hospital (2)	Shelbyville	7,995,000.00
Memorial Hospital	Jasper	1,000,000.00
Memorial Hospital of South Bend, Inc.	South Bend	11,000,000.00
Methodist Hospital of Gary, Inc. (2)	Gary	18,857,000.00
Michigan City Memorial Hospital	Michigan City	400,000.00
Morgan County Memorial Hospital	Martinsville	4,000,000.00
Porter Memorial Hospital (7)	Valparaiso	26,100,000.00
Pulaski Memorial Hospital (3)	Winamac	2,057,118.00
Riverview Hospital (2)	Noblesville	4,000,000.00
Service Frontiers, Inc.	Lafayette	4,600,000.00
Union Hospital (2)	Terre Haute	5,806,000.00
Vermillion County Hospital	Clinton	900,000.00
Wabash Valley Hospital, Inc.	West Lafayette	1,207,505.00
Welborn Memorial Baptist Hospital	Evansville	3,000,000.00
Westview Osteopathic Hospital (2)	Indianapolis	1,749,165.00
Witham Memorial Hospital	Lebanon	2,000,000.00

III. The major capital needs of hospitals were met by single issue projects. The list since 1986 is as follows:

1986 - 1987

St. Joseph's Hospital	Huntingburg	\$ 2,818,000.00
Deaconess Hospital	Evansville	38,795,000.00

1987 - 1988

Welborn Memorial Baptist Hospital	Evansville	\$ 6,560,000.00
St. Anthony's Medical Center	Crown Point	30,000,000.00
Sisters of St. Francis Health Services, Inc.	Beech Grove	6,610,000.00

Fort Wayne Regional Blood Services, Inc.	Fort Wayne	3,570,000.00
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1988 - 1989

Adams County Hospital - Nursing Home Purchase	Decatur	\$ 5,100,000.00
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1989 - 1990

Central Indiana Regional Blood Center	Indianapolis	\$ 7,090,000.00
Lutheran Hospital of Indiana, Inc.	Ft. Wayne	79,900,000.00
St. Anthony's Medical Center	Crown Point	31,400,000.00
Bartholomew County Hospital	Columbus	69,750,000.00
Hamilton Grove	New Carlisle	2,000,000.00
Welborn Memorial Baptist Hospital	Evansville	10,505,000.00

1990 - 1991

Crossroads Rehabilitation Center, Inc.	Indianapolis	\$ 3,570,000.00
Hancock Memorial Hospital	Greenfield	19,255,000.00
MMM-Invest, Inc.	Plymouth	3,460,000.00
Rehabilitation Hospital of Indiana, Inc.	Indianapolis	20,700,000.00

1991 - 1992

Community Hospitals of Indiana, Inc. (2)	Indianapolis	\$71,065,000.00
Deaconess Hospital	Evansville	22,000,000.00
Floyd Memorial Hospital	New Albany	21,500,000.00
Jackson County Schneck Memorial	Seymour	18,510,000.00
Marion General Hospital	Marion	12,435,000.00
Memorial Hospital and Health Care Center	Jasper	9,000,000.00
St. Anthony's Medical Center	Crown Point	32,295,000.00
Sisters of St. Francis Health Services, Inc.	Beech Grove	32,000,000.00
St. Vincent Hospital & Health Care Center	Indianapolis	60,000,000.00

1992 - 1993

Community Hospital of Anderson	Anderson	\$26,995,000.00
Community Hospitals of Indiana, Inc.	Indianapolis	34,300,000.00
Deaconess Hospital	Evansville	44,760,000.00
Fayette Memorial Hospital	Connersville	14,250,000.00
Lafayette Home Hospital	Lafayette	22,530,000.00
Marion General Hospital	Marion	13,485,000.00
Methodist Hospital of Indiana, Inc.	Indianapolis	86,575,000.00
Methodist Hospital of Indiana, Inc.	Indianapolis	93,400,000.00
Methodist Hospitals, Inc.	Gary	21,725,000.00
Riverview Hospital	Noblesville	12,730,000.00

St Joseph's Hospital	Huntingburg	4,000,000.00
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1993-1994

Cardinal Center	Warsaw	\$ 3,000,000.00
Clinton County Hospital	Frankfort	4,040,000.00
Columbus Regional Hospital	Columbus	78,955,000.00
Marquette Manor	Indianapolis	13,650,000.00
St. Vincent Hospital & Health Care Center	Indianapolis	49,600,000.00
Sisters of St. Francis Health Services, Inc.	Beech Grove	41,000,000.00
Union Hospital	Terre Haute	43,960,000.00
Welborn Memorial Baptist Hospital	Evansville	40,000,000.00

1994-1995

Baptist Homes of Indiana	Indianapolis	\$ 8,255,000.00
Franklin-Glenburn Home	Franklin	1,800,000.00
Marion General Hospital	Marion	16,180,000.00
St. Anthony Home	Crown Point	17,895,000.00
Sisters of St. Francis Health Services, Inc.	Beech Grove	31,500,000.00

1995-1996

Community Hospitals of Indiana, Inc. Daughters of Charity National Health System (St. Mary's Medical Center) (Warrick Hospital, Inc.)	Indianapolis	\$75,050,000.00
Greenwood Village South Project	Evansville	15,450,000.00
Lutherwood Project	Boonville	2,995,000.00
	Greenwood	13,160,000.00
	Indianapolis	3,500,000.00

1996-1997

Cardinal Center	Warsaw	\$ 3,505,000.00
Clarion Health Partners	Indianapolis	331,360,000.00
Hancock Memorial Hospital	Greenfield	20,065,000.00
Methodist Hospitals, Inc.	Gary	15,000,000.00
Pathfinder Services	Huntington	2,660,000.00
St. Anthony Medical Center	Crown Point	15,000,000.00

1997-1998

Community Hospitals of Indiana, Inc.	Indianapolis	\$ 30,000,000.00
Community Village/Hartsfield Village	Munster	26,230,000.00
Fayette Memorial Hospital	Connersville	1,400,000.00
Floyd Memorial Hospital	New Albany	21,150,000.00
Greenwood Village South Project	Greenwood	15,300,000.00

Jackson County Schneck Memorial Hospital	Seymour	25,660,000.00
Janus Development Services	Noblesville	1,000,000.00
King's Daughters' Hospital	Madison	21,095,000.00
Mary Sherman Hospital	Sullivan	12,000,000.00
Sisters of St. Francis Hospital	Beech Grove	169,465,000.00

1998-1999

Daviess Community Hospital	Washington	\$ 6,500,000.00
Deaconess Hospital – Series 1999A	Evansville	25,910,000.00
Deaconess Hospital – Series 1999B	Evansville	18,700,000.00
Franciscan Eldercare Services, Inc.	Highland	15,285,000.00
Hamilton Communities, Inc.	New Carlisle	21,000,000.00
Marquette Manor	Indianapolis	13,035,000.00
Metro Health/Indiana, Inc.	Indiana	37,690,000.00
Riverview Hospital	Noblesville	11,160,000.00
Sisters of St. Francis Health Services, Inc.	Mishawaka	150,000,000.00

1999-2000

Ascension Health Credit Group	St. Louis, MO	\$505,300,000.00
Charity Obligated Group	St. Louis, MO	126,555,000.00
Daviess Community Hospital Project	Washington	12,600,000.00
Hoosier Care Project, Series 1999A	Various Cities	22,575,000.00
Hoosier Care Project, Series 1999B	Various Cities	1,030,000.00
Sisters of St. Francis Health Services, Inc.	Mishawaka	66,900,000.00
Sisters of St. Francis Health Services, Inc.	Mishawaka	20,000,000.00
Sisters of St. Francis Health Services, Inc.	Mishawaka	105,000,000.00

2000-2001

Anthony Wayne Rehabilitation Center	Fort Wayne	\$ 4,475,000.00
Baptist Homes of Indiana	Indianapolis	29,735,000.00
Bethesda Living Centers	Terre Haute	5,150,000.00
Clarian Health Obligation Group	Indianapolis	351,745,000.00
Community Hospital Project	Indianapolis	40,000,000.00
Greencroft Obligated Group	Goshen	12,560,000.00
Greenwood Village South Project	Greenwood	2,305,000.00
Southern Indiana Rehabilitation Project	New Albany	10,550,000.00

2001-2002

Ascension Health	St. Louis, MO	\$400,800,000.00
Clark Memorial Hospital	Jeffersonville	17,440,000.00
Community Foundation of Northwest Indiana, Series A & B	Munster	140,885,000.00
Fayette Memorial Hospital	Connersville	13,980,000.00

Franciscan Eldercare Services, Inc. Series A & B	Highland	38,250,000.00
Golden Years Homestead, Inc. Series A & B	Indiana/Michigan	13,500,000.00
Henry County Memorial Hospital	New Castle	20,305,000.00
Marion General Hospital Project	Marion	29,690,000.00
The Methodist Hospitals, Inc.	Gary	74,590,000.00
Parkview Health Systems Obligated Group	Fort Wayne	220,000,000.00
Riverview Hospital Project	Noblesville	20,000,000.00
Sisters of St. Francis Health Services, Inc.	Mishawaka	75,000,000.00
Union Hospital	Terre Haute	16,000,000.00

2002 – 2003

Ascension Health Credit Group - Series 2002E	St. Louis, MO	\$ 37,075,000.00
Ascension Health Credit Group - Series 2002F	St. Louis, MO	100,825,000.00
Ascension Health Credit Group - Series 2003E1-8	St. Louis, MO	498,475,000.00
Clarian Health Obligated Group -Series 2003A-D	Indianapolis	180,000,000.00
Clarian Health Obligated Group - Series 2003E-F	Indianapolis	225,000,000.00
Fayette Memorial Hospital	Connersville	12,185,000.00
Franciscan Communities, Inc. - Series 2003A	Homewood, IL	11,650,000.00
Franciscan Communities, Inc. - Series 2003B	Homewood, IL	4,335,000.00
Grandview Care, Inc.	Tell City	4,000,000.00
United Church Homes, Inc.	Marion, OH	4,015,000.00

2003 – 2004

Clarian Health Obligated Group - Series 2003H	Indianapolis	47,500,000.00
Clarian Health Obligated Group - Series 2003I	Indianapolis	47,500,000.00
Clark Memorial Hospital - Series 2004A	Jeffersonville	9,500,000.00
Clark Memorial Hospital - Series 2004B	Jeffersonville	5,500,000.00
Columbus Regional Hospital	Columbus	61,000,000.00
Community Foundation of Northwest Indiana Obligated Group	Munster	60,000,000.00
Deaconess Hospital Obligated Group - Series 2004A	Evansville	54,765,000.00

Deaconess Hospital Obligated Group - Series 2004B	Evansville	25,000,000.00
Dunn Memorial Hospital	Bedford	8,365,000.00
Floyd Memorial Hospital - Series 2003A	New Albany	36,475,000.00
Floyd Memorial Hospital - Series 2003B	New Albany	36,450,000.00
Major Hospital	Shelbyville	34,260,000.00
Margaret Mary Community Hospital	Batesville	22,000,000.00
Memorial Hospital Project	Logansport	21,880,000.00
Sisters of St. Francis Health Services, Inc.	Mishawaka	180,000,000.00

IV. In addition to the 1985A Pool and special transactions, the Authority has two (2) programs that are designed to meet the demand for loans in smaller amounts: Designated Pools and a Medical Equipment Financing Program. Loans under these programs have been provided as follows:

1989A Designated Pool

Dunn Memorial Hospital	Bedford	\$ 400,000.00
Kosciusko Community Hospital, Inc.	Warsaw	900,000.00
Porter Memorial Hospital	Valparaiso	1,700,000.00
Riverview Hospital	Noblesville	6,400,000.00
St. Joseph Hospital & Health Center of Kokomo, Indiana, Inc.	Kokomo	4,500,000.00
Union Hospital, Inc.	Terre Haute	5,000,000.00

1989B Designated Pool

KCH Healthcare Center, Inc.	Warsaw	\$2,000,000.00
Kosciusko Community Hospital	Warsaw	1,100,000.00

Ancilla Systems Incorporated - 1990

St. Joseph Medical Center	Fort Wayne	\$24,082,338.37
St. Mary Medical Center	Hobart	2,348,216.22
St. Mary Medical Center	Gary	2,348,216.22
St. Catherine Hospital	East Chicago	5,126,229.19

Community Mental Health and Rehabilitation Facilities Designated Pool Program - 1990

Mental Health Centers:

Comprehensive Mental Health Services of East Central Indiana, Inc.	Muncie	\$ 1,305,000.00
Cummins Mental Health Center	Danville	570,000.00
Northeastern Center, Inc.	Kendallville	230,000.00
Park Center, Inc.	Fort Wayne	1,090,000.00

South Central Community Mental Health Centers, Inc.	Bloomington	700,000.00
Southlake Community Mental Health Center, Inc.	Merrillville	1,465,000.00
Tri-City Comprehensive Community Mental Health Center, Inc.	East Chicago	2,125,000.00

Rehabilitation Facilities:

Anthony Wayne Rehabilitation Center for the Handicapped and Blind, Inc. d/b/a Anthony Wayne Services	Fort Wayne	2,375,000.00
Blue River Developmental Services, Inc.	Corydon	1,000,000.00
Cardinal Center, Inc.	Warsaw	2,725,000.00
The Council for the Retarded of St. Joseph County, Inc., d/b/a Logan, Inc.	South Bend	1,200,000.00
disAbilities Services, Inc.	Crawfordsville	705,000.00
Four Rivers Rehabilitation Services, Inc.	Linton	390,000.00
In-Pact, Inc.	Crown Point	230,000.00
New Hope Services, Inc.	Jeffersonville	1,005,000.00
Pathfinder Services, Inc.	Huntington	3,035,000.00
The Rehabilitation Center and Goodwill Industries of Southeastern Indiana, Inc.	Clarksville	965,000.00
Wayne County Council for Retarded Citizens, Inc.	Richmond	175,000.00

1990 Designated Pool Program

La Porte Hospital, Inc.	La Porte	\$ 800,000.00
Margaret Mary Community Hospital, Inc.	Batesville	2,000,000.00
Marion General Hospital	Marion	2,500,000.00
Mercy Hospital, Inc.	Elwood	6,000,000.00
The Board of Trustees of Porter Memorial Hospital	Valparaiso	1,200,000.00
Service Frontiers, Inc.	Lafayette	3,300,000.00

1991 Designated Pool Program

Caylor-Nickel Medical Center	Bluffton	\$1,400,000.00
Dunn Memorial Hospital	Bedford	500,000.00
Henry County Memorial Hospital	New Castle	6,400,000.00
Johnson Memorial Hospital	Franklin	5,300,000.00
The Board of Trustees of Porter Memorial Hospital	Valparaiso	3,500,000.00
St. Joseph Hospital and Health Care Center	Kokomo	2,000,000.00
Union Hospital, Inc.	Terre Haute	6,000,000.00

1992 Ancilla Systems Incorporated

Lakeshore Health Systems Incorporated	Hobart	\$19,536,715.43
St. Joseph Medical Center	Fort Wayne	15,034,742.59
St. Joseph Health Services, Inc.	Mishawaka	14,018,541.98

1992 Ancilla Systems Incorporated

Lakeshore Health Systems Incorporated	Hobart	\$29,646,132.00
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1992 Designated Pool

King's Daughters' Hospital	Madison	\$5,000,000.00
The Board of Trustees of Dearborn County Hospital	Lawrenceburg	4,000,000.00
The Board of Trustees of Porter Memorial Hospital	Valparaiso	4,000,000.00
St. Joseph Hospital and Health Center	Kokomo	3,100,000.00

1997 Designated Pool

The Board of Governors of Dunn Memorial Hospital	Bedford	\$ 1,000,000.00
The Board of Trustees of Floyd Memorial Hospital and Health Services	New Albany	7,000,000.00
The Board of Trustees of Howard Community Hospital	Kokomo	6,800,000.00
Kosciusko Community Hospital, Inc.	Warsaw	1,000,000.00
LaPorte Hospital, Inc.	LaPorte	10,000,000.00
The Little Company of Mary of Indiana, Inc. d/b/a Memorial Hospital and Health Center	Jasper	2,500,000.00
Marion General Hospital, Inc.	Marion	5,000,000.00
The Board of Trustees of Riverview Hospital	Noblesville	4,200,000.00

1997 Ancilla Systems Incorporated

Hobart	\$61,145,000.00
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1997 Daughters of Charity National Health Systems, Series D & E

St. Vincent Mercy Hospital	Elwood	\$ 4,055,000.00
St. Mary's Medical Center	Evansville	57,400,000.00
St. Vincent Hospital & Health Care Center	Indianapolis	99,970,000.00
St. Joseph Hospital & Heath Care Center	Kokomo	10,165,000.00
St. Vincent Williamsport Hospital	Williamsport	2,000,000.00

1997 Daughters of Charity National Health Systems, Series F

St. Vincent Hospital and Health Care Center	Indianapolis	\$10,900,000.00
St. Joseph Hospital & Health Care Center	Kokomo	6,500,000.00

1998 Designated Pool

Henry County Memorial Hospital	New Castle	\$3,400,000.00
Henry County Memorial Hospital Foundation, Inc.	New Castle	6,200,000.00
The Board of Trustees of Johnson Memorial Hospital	Franklin	2,200,000.00
Reid Hospital & Health Care	Richmond	6,600,000.00

**1998 Holy Cross Health System
Corporation**

South Bend \$98,520,000.00

2000 Designated Pool

The Board of Trustees of Floyd Memorial Hospital	New Albany	\$6,000,000.00
Gibson General Hospital, Inc.	Princeton	4,100,000.00
The Board of Trustees of Howard Community Hospital	Kokomo	3,000,000.00
The Board of Trustees of Johnson Memorial Hospital	Franklin	6,000,000.00
Reid Hospital & Health Care Services, Inc.	Richmond	5,000,000.00

2000B Designated Pool

Little Company of Mary Hospital of Indiana, Inc.	Jasper	\$2,995,000.00
Margaret Mary Community Hospital, Inc.	Batesville	3,965,000.00
The Board of Trustees of Riverview Hospital	Noblesville	7,500,000.00

2002A Designated Pool

The Board of Trustees of Porter Memorial Hospital	Valparaiso	\$9,940,000.00
The Board of Trustees of Columbus Regional Hospital	Columbus	7,500,000.00

Medical Equipment Financing Program - 1989 - 2003

Caylor-Nickel Medical Center	Bluffton	\$1,548,500.00
Clarian Health Obligated Group/ GE Capital	Indianapolis	10,179,022.00
Clark Memorial Hospital (2)	Jeffersonville	2,883,000.00
Clinton County Hospital	Frankfort	1,605,000.00
Community Hospitals of Indiana, Inc./ (2) GE Capital	Indianapolis	12,641,301.00
Fayette Memorial Hospital	Connersville	1,500,000.00
Logansport Memorial Hospital	Logansport	2,000,000.00
Michiana Community Hospital	South Bend	1,530,000.00
Wabash County Hospital	Wabash	286,000.00

Direct Purchase Bond Program

Cummins Mental Health Association	Danville	1,369,000.00
Geminus	Merrillville	2,750,000.00
Southlake Community Mental Health Center	Merrillville	1,600,000.00
Southwestern Indiana Mental Health Foundation	Evansville	3,800,000.00

A LOOK AT THE FUTURE

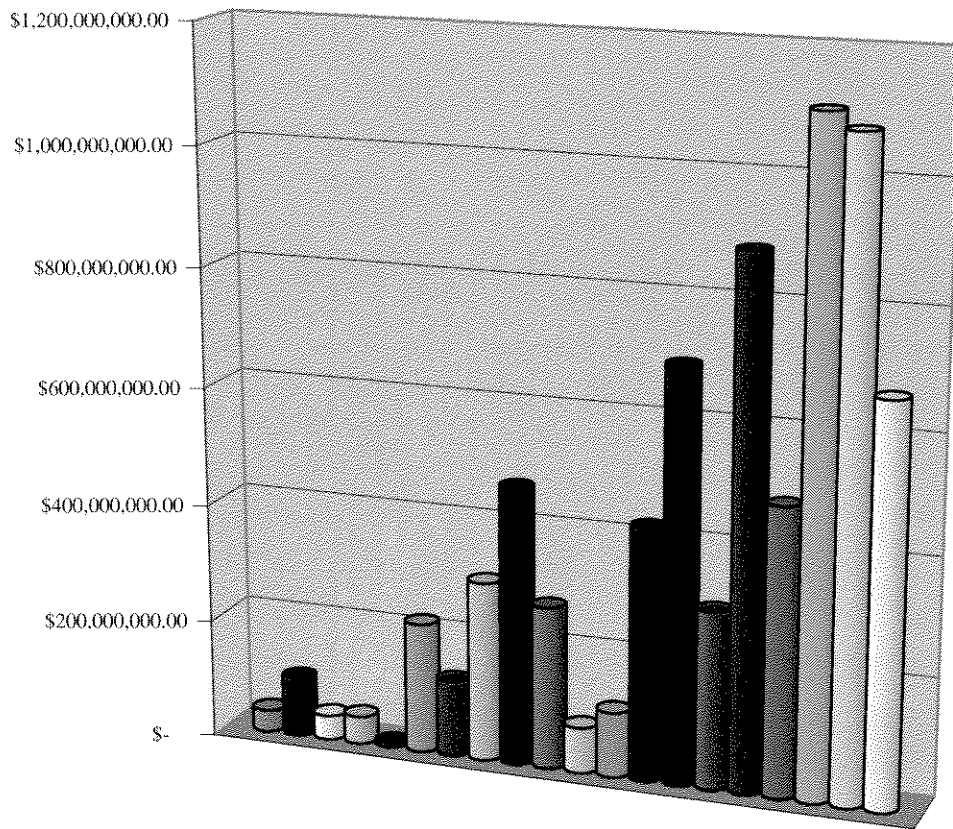
The Authority continues to experience great demand, having issued approximately \$7.4 billion since its inception. It appears that demand will continue to be strong in the next fiscal year. The Authority members are grateful for the opportunity to serve so many healthcare institutions.

The Authority continues its search for new programs and activities to address the needs of access to capital for different healthcare organizations in the State of Indiana.

The Authority expects to continue to seek opportunities to participate in educational programs regarding access to capital for health care entities. In addition, the Authority continues to be an active participant in the National Council of Health Facilities Finance Authorities.

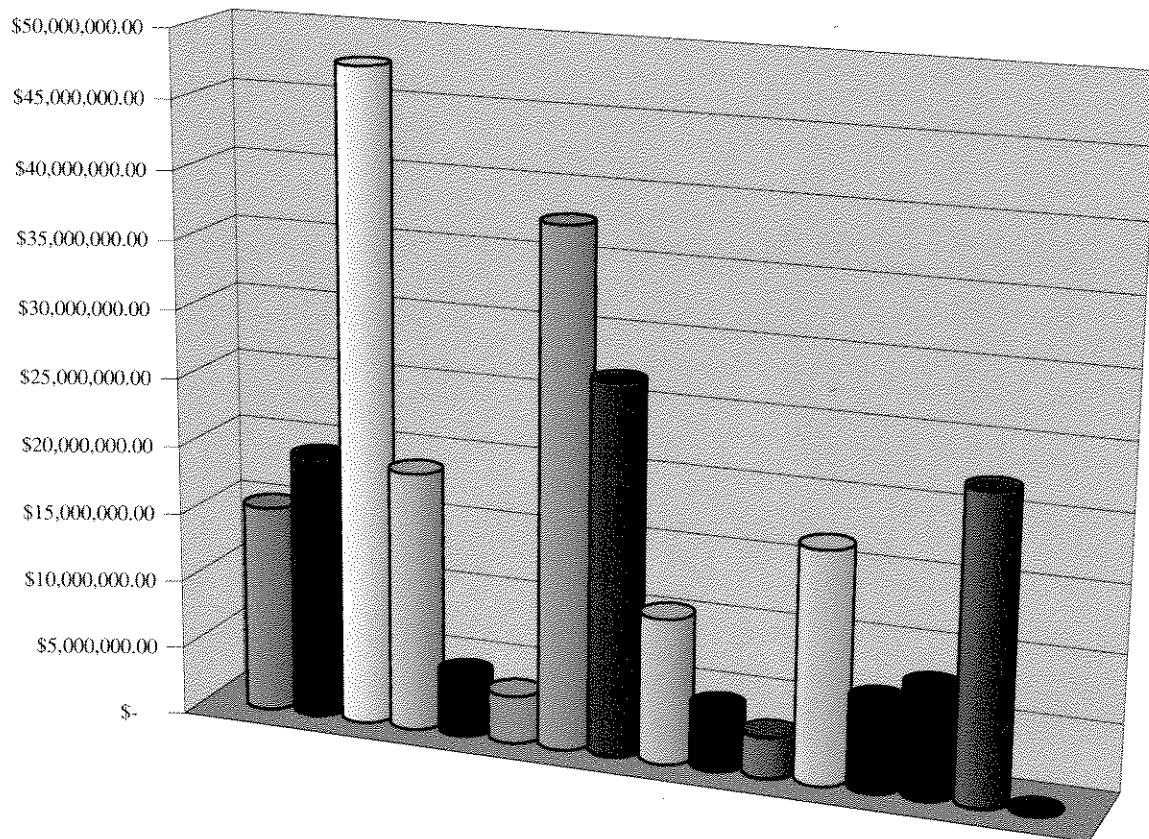
The Authority expresses its gratitude to the Governor and the Legislature for their continuing support of its activities.

INDIANA HEALTH FACILITY FINANCING AUTHORITY BONDS ISSUED



	DOLLAR AMOUNT OF BONDS ISSUED
84/85	\$37,100,000.00
85/86	\$100,000,000.00
86/87	\$41,613,000.00
87/88	\$46,740,000.00
88/89	\$5,100,000.00
89/90	\$220,628,000.00
90/91	\$128,301,000.00
91/92	\$303,905,000.00
92/93	\$469,086,132.00
93/94	\$274,205,000.00
94/95	\$77,178,500.00
95/96	\$110,155,000.00
96/97	\$425,090,000.00
97/98	\$693,855,000.00
98/99	\$299,280,000.00
99/00	\$884,060,000.00
00/01	\$483,800,323.00
01/02	\$1,105,515,000.00
02/03	\$1,077,560,000.00
03/04	\$669,714,000.00

**INDIANA HEALTH FACILITY FINANCING AUTHORITY \$100,000,000
VARIABLE RATE DEMAND INSURED REVENUE BONDS,
SERIES 1985A**



	DOLLAR AMOUNT OF LOANS
86/87	\$15,166,283.00
87/88	\$19,300,000.00
88/89	\$47,765,846.00
89/90	\$16,000,000.00
90/91	\$4,500,000.00
91/92	\$3,500,000.00
94/95	\$37,857,000.00
95/96	\$27,100,000.00
96/97	\$10,650,000.00
97/98	\$4,500,000.00
98/99	\$3,000,000.00
99/00	\$17,000,000.00
00/01	\$6,500,000.00
01/02	\$6,500,000.00
02/03	\$22,346,000.00
03/04	0

Indiana Health Facility Financing Authority

Accountants' Report and Financial Statements

June 30, 2004 and 2003

Indiana Health Facility Financing Authority

June 30, 2004 and 2003

Contents

Independent Accountants' Report.....	1
Management's Discussion and Analysis	2
Financial Statements	
Statements of Net Assets	5
Statements of Revenues, Expenses, and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8



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Independent Accountants' Report

To Members of the
Indiana Health Facility Financing Authority
Indianapolis, Indiana

We have audited the accompanying basic financial statements of the Indiana Health Facility Financing Authority (Authority), as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana Health Facility Financing Authority as of June 30, 2004 and 2003, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Solutions
for
Success

BKD, LLP

September 1, 2004



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

The following discussion and analysis presents management's discussion of the financial position and the results of operations of the Indiana Health Facility Financing Authority (the "Authority") during the fiscal year ended June 30, 2004. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the Independent Accountants' Report, financial statements, and accompanying notes.

The Authority was created in 1983 pursuant to the provisions of Indiana Code 5-1-16 (the "Act") and is organized and existing under and by virtue of the Act as a public body politic and corporate, not an agency of the State of Indiana, but an independent public instrumentality exercising essential public functions. Under the Act, the Authority is authorized to make loans to participating providers (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for costs related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation or housing of "health facility property" (as defined in the Act). The Authority's bonds are payable solely out of loan payments from borrowers. The bonds are not a debt, liability or moral obligation of the State of Indiana. The Authority has no taxing power. The Act provides that the Authority consists of seven members appointed by the Governor of the State of Indiana. The members of the Authority appoint an executive director, who serves as an ex officio secretary of the Authority, administers, manages and directs the employees of the Authority (under the direction of the members of the Authority), approves all accounts and expenses and performs other additional duties as directed by the members of the Authority.

Financial Highlights

Statements of Net Assets

A summarized comparison of the Authority's assets, liabilities, and net assets at June 30, 2004, 2003 and 2002 follows:

	2004	2003	2002
Total current assets	\$ 176,064,068	\$ 164,371,930	\$ 165,830,754
Total noncurrent assets	<u>4,773,585,323</u>	<u>4,293,664,302</u>	<u>3,429,262,602</u>
Total assets	<u>\$ 4,949,649,391</u>	<u>\$ 4,458,036,232</u>	<u>\$ 3,595,093,356</u>
Total current liabilities	\$ 91,257	\$ 39,805	\$ 52,970
Total current liabilities payable from restricted assets	165,904,848	152,890,973	154,140,942
Long-term maturities of debt	<u>4,776,000,511</u>	<u>4,297,670,441</u>	<u>3,433,614,760</u>
Total liabilities	4,941,996,616	4,450,601,219	3,587,808,672
Total net assets	<u>7,652,775</u>	<u>7,435,013</u>	<u>7,284,684</u>
Total liabilities and net assets	<u>\$ 4,949,649,391</u>	<u>\$ 4,458,036,232</u>	<u>\$ 3,595,093,356</u>

The net assets of the Authority (the excess of its assets over its liabilities) at June 30, 2004 and 2003 were approximately \$7.7 million and \$7.4 million, respectively. Of these amounts, just under \$1 million is restricted for debt service and the remaining balances are unrestricted. However, the Authority has designated approximately \$3.4 million of its unrestricted net assets to be set aside and used for a program to support qualified borrowers who need assistance in obtaining credit enhancement. See note 1 to the financial statements.

Total assets at June 30, 2004, increased \$491.6 million. This increase is primarily the result of the Authority granting \$680.8 million of new loans, offset by \$193.7 million of principal payments on loans. Total assets at June 30, 2003 increased \$862.9 million, which is primarily the result of the Authority granting an additional \$1,086 million in loans during 2003, offset by \$230.3 million of principal payments on loans.

Total current liabilities payable from restricted assets and long-term maturities of debt at June 30, 2004 increased \$13.0 million and \$478.3 million, respectively. These increases are the result of the Authority issuing \$667.1 million of debt during 2004, which is offset by \$174.0 million of principal payments on debt. Total current liabilities payable from restricted assets at June 30, 2003, decreased \$1.3 million, which is primarily the result of a \$923,000 decrease in the current maturities of debt and a \$386,000 decrease in accrued interest payable. The long-term maturities of debt at June 30, 2003 increased \$864.1 million, the result of the Authority issuing \$1,078 million of debt during the year, which is offset by \$133.6 million of principal payments on debt.

Total net assets of the Authority at June 30, 2004 increased by \$218,000 (2.9%) from fiscal year 2003 and \$150,000 (2.1%) from fiscal year 2002, due in large part to growth in the unrestricted assets of the Authority, including investment income earned on funds held under the Authority's General Fund.

Statements of Revenues, Expenses, and Changes in Net Assets

A summarized comparison of the Authority's operating revenues, operating expenses, and nonoperating revenues for the years ended June 30, 2004, 2003 and 2002 follows:

	2004	2003	2002
Operating revenues	\$ 128,101,599	\$ 130,555,432	\$ 131,268,961
Operating expenses	<u>127,937,493</u>	<u>130,443,739</u>	<u>131,066,210</u>
Operating income	164,106	111,693	202,751
Nonoperating revenues	<u>53,656</u>	<u>38,636</u>	<u>235,875</u>
Change in net assets	\$ <u>217,762</u>	\$ <u>150,329</u>	\$ <u>438,626</u>

The total operating revenues for the year ended June 30, 2004 were \$128.1 million, which includes interest on loans of \$126.2 million, investment income of \$1.2 million, administrative fees of \$498,000, and other miscellaneous income of \$229,000. Total operating revenues for the year ended June 30, 2003 were \$130.6, which includes interest on loans of \$128.8 million, investment income of \$1.3 million, administrative fees of \$498,000, and other miscellaneous income of 10,000.

Total operating revenues for the year ended June 30, 2004 decreased \$2.5 million, primarily because of a \$2.6 million decrease in interest on loans. Total operating revenues for the year ended June 30, 2003 decreased \$714,000, the result of a \$552,000 decrease in interest on loans and a \$151,000 decrease in investment income.

Total operating expenses for the year ended June 30, 2004, were \$127.9 million, of which \$126.3 million consists of interest paid to bondholders. Total operating expenses for the year ended June 30, 2003 were \$130.4 million, of which \$129.1 million consists of interest paid to bondholders.

Total operating expenses for the year ended June 30, 2004 decreased \$2.5 million, primarily the result of a \$2.7 million decrease in interest expense. Total operating expenses for the year ended June 30, 2003 decreased \$622,000, primarily the result of a \$651,000 decrease in interest expense.

Nonoperating revenues for the year ended June 30, 2003 decreased \$197,000, which is primarily the result of a decline in the interest rates paid on the General Fund investments.

Debt Administration

The Authority granted \$677,115,000 in designated-issue loans to health facilities during fiscal year 2004. Although this represents a significant decrease from the loan activity in the prior two fiscal years, fiscal year 2004 still ranks as one of the top five in the Authority's 20 year history. The total amount of debt outstanding for fiscal year 2004 was approximately \$4.9 billion, an increase of approximately \$500 million over fiscal year 2003.

During fiscal year 2004, the Authority also instituted a new loan program called the Direct Purchase Bond Program, which is designed to assist borrowers with relatively small loans ranging in size from \$500,000 to \$5,000,000. The bonds under this program are purchased directly by a bank of the borrower's choosing, at rates negotiated by the borrower and the bank. During fiscal year 2004, the Authority completed four transactions under this new program totaling \$6,784,837.

Operating Analysis

The Authority's operations consist of issuing bonds and loaning the proceeds thereof to health care providers. Interest earned on those loans as well as investment earnings related to the loans represent the majority of the Authority's operating revenues.

The Authority charges administrative fees for its services. In fiscal year 2004, administrative fees collected were \$498,000, which is approximately the same as fiscal year 2003. The revenue from the administrative fees is used to pay for the day-to-day operations of the Authority.

Nonoperating Activities

The only nonoperating revenue shown on the Authority's financial statements is interest income earned on the investments held as part of the Authority's General Fund. These are investments which are not restricted as part of its bond issuance activities.

Economic Factors and Next Year's Activities

It is anticipated that Indiana health care providers will continue to experience capital needs for which the Authority can provide financing. If interest rates remain low, many borrowers may choose to take advantage of the favorable market conditions and finance their capital needs sooner rather than later. In addition, some borrowers may want to refinance their higher interest rate debt. Based on current economic factors, the Authority expects to experience a steady flow of loan activity into the next fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report should be addressed to the Indiana Health Facility Financing Authority, One American Square, Box 82075, Indianapolis, Indiana 46282.

Indiana Health Facility Financing Authority

Statements of Net Assets June 30, 2004 and 2003

Assets

	2004	2003
Current Assets		
Cash and cash equivalents	\$ 313,956	\$ 277,805
Accrued administration fees	543,745	473,066
Restricted assets - current		
Cash equivalents	19,280,924	23,782,088
Accrued interest receivable	17,674,965	18,276,884
Loans receivable	138,000,109	121,311,718
Prepaid expenses	<u>250,369</u>	<u>250,369</u>
Total current assets	<u>176,064,068</u>	<u>164,371,930</u>
Noncurrent Assets		
Investments	5,850,534	5,701,176
Capital assets, net	12,612	29,171
Restricted assets - noncurrent		
Investments	57,731,528	48,347,002
Loans receivable	<u>4,709,990,649</u>	<u>4,239,586,953</u>
Total noncurrent assets	<u>4,773,585,323</u>	<u>4,293,664,302</u>
 Total assets	 <u>\$ 4,949,649,391</u>	 <u>\$ 4,458,036,232</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 91,257	\$ 39,805
Current Liabilities Payable From Restricted Assets		
Accounts payable	—	59,863
Accrued interest payable	28,417,882	30,144,512
Current maturities of debt	<u>137,486,966</u>	<u>122,686,598</u>
Total current liabilities payable from restricted assets	<u>165,904,848</u>	<u>152,890,973</u>
Long-Term Maturities of Debt	<u>4,776,000,511</u>	<u>4,297,670,441</u>
Total liabilities	<u>4,941,996,616</u>	<u>4,450,601,219</u>
Net Assets		
Invested in capital assets	12,612	29,171
Restricted expendable for debt service	995,050	963,754
Unrestricted	<u>6,645,113</u>	<u>6,442,088</u>
Total net assets	<u>7,652,775</u>	<u>7,435,013</u>
 Total liabilities and net assets	 <u>\$ 4,949,649,391</u>	 <u>\$ 4,458,036,232</u>

Indiana Health Facility Financing Authority

Statements of Revenues, Expenses, and Changes in Net Assets Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Interest on loans	\$ 126,215,019	\$ 128,785,057
Investment income	1,159,614	1,262,009
Administration fees	498,105	498,067
Miscellaneous income	<u>228,861</u>	<u>10,299</u>
Total operating revenues	<u>128,101,599</u>	<u>130,555,432</u>
Operating Expenses		
Wages	159,068	149,434
Payroll taxes and fringe benefits	45,629	34,008
Interest	126,345,591	129,086,463
Bond insurance	508,000	508,000
Bond and investment administration	372,640	359,881
Legal fees	251,760	35,508
Accounting and auditing fees	35,609	46,675
Consulting fees	7,105	8,605
Education and conferences	32,394	37,936
Office administration and supplies	76,950	70,349
Rent	83,988	84,008
Professional dues	2,200	6,852
Depreciation	<u>16,559</u>	<u>16,020</u>
Total operating expenses	<u>127,937,493</u>	<u>130,443,739</u>
Operating Income	164,106	111,693
Nonoperating Revenues		
Investment income	<u>53,656</u>	<u>38,636</u>
Change in Net Assets	217,762	150,329
Net Assets, Beginning of Year	<u>7,435,013</u>	<u>7,284,684</u>
Net Assets, End of Year	\$ <u>7,652,775</u>	\$ <u>7,435,013</u>

Indiana Health Facility Financing Authority

Statements of Cash Flows Years Ended June 30, 2004 and 2003

	2004	2003
Operating Activities		
Investment interest received	\$ 1,159,614	\$ 1,262,009
Loans disbursed to health facilities	(680,835,817)	(1,085,801,201)
Principal repayments on loans	193,743,730	230,322,502
Loan interest received	126,816,938	134,307,455
Other receipts for operating activities	656,287	398,603
Other cash paid for operating activities	(1,583,754)	(1,294,558)
Net cash used in operating activities	(360,043,002)	(720,805,190)
Investing Activities		
Investment interest received	53,656	38,636
Net change in investment securities	(9,533,884)	(3,663,044)
Net cash used in investing activities	(9,480,228)	(3,624,408)
Noncapital Financing Activities		
Proceeds from issuance of debt	667,115,487	1,077,560,000
Principal payments on debt	(173,985,049)	(133,606,657)
Interest paid on debt	(128,072,221)	(129,473,253)
Payments to escrow accounts for bond defeasances	---	(80,830,000)
Net cash provided by noncapital financing activities	365,058,217	733,650,090
Increase (Decrease) in Cash and Cash Equivalents	(4,465,013)	9,220,492
Cash and Cash Equivalents, Beginning of Year	24,059,893	14,839,401
Cash and Cash Equivalents, End of Year	\$ 19,594,880	\$ 24,059,893
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating Income	\$ 164,106	\$ 111,693
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities		
Depreciation	16,559	16,020
Interest paid on bonds/notes	128,072,221	129,473,253
Changes in assets and liabilities		
Accrued interest receivable	601,919	5,522,398
Accrued administration fees	(70,679)	(109,763)
Loans receivable	(487,092,087)	(855,478,699)
Accounts payable and other accrued expenses	(8,411)	46,698
Accrued interest payable	(1,726,630)	(386,790)
Net Cash Used in Operating Activities	\$ (360,043,002)	\$ (720,805,190)

Indiana Health Facility Financing Authority

Notes to Financial Statements June 30, 2004 and 2003 (Table Dollar Amounts in Thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Indiana Health Facility Financing Authority (Authority), established by the 1983 Indiana General Assembly, provides financing for capital expenditures and refinancing of outstanding indebtedness for Indiana health care organizations. The Authority's bonds and notes are payable solely out of loan or lease payments from the health care organizations and the interest paid on the bonds is usually excludable from gross income for federal tax purposes, resulting in materially lower financing costs to the borrowing organizations.

The Authority has developed a number of programs to meet the divergent financial needs of Indiana health care organizations. The Authority's programs consist of tax-exempt financing for hospitals, nursing homes, blood banks, foundations, community mental health and rehabilitation facilities. Loans are granted for construction projects, equipment, remodeling, acquisitions, refinancing and, where applicable, reimbursement of prior expenditures.

The Authority has eight loan pools outstanding at June 30, 2004. Also, the Authority has assisted various health facilities in issuing designated revenue bonds and notes, the proceeds of which were used specifically by the issuing health facility.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity

The definition of the reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 14 is based primarily on the concept of financial accountability. Although the Governor appoints all of the seven Members of the Authority's governing body, neither of the other two tests of financial accountability are met. The State of Indiana is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to the State of Indiana.

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

Measurement Focus and Basis of Accounting

The Authority is accounted for as an enterprise fund. Assets, liabilities, revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consists primarily of money market funds.

Investments

Investments are generally stated at fair value. Money market investments and U. S. Government agency obligations are carried at amortized cost because their remaining maturity at the time of purchase is one year or less. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net assets.

Provision for Loan Losses

No provision for loan losses has been made because the Authority functions as a conduit for debt financing and neither the Authority nor the State of Indiana accepts responsibility for the repayment of the obligations.

Capital Assets

Outlays for capital assets and items which substantially increase the useful lives of existing capital assets are capitalized at cost. The Authority provides for depreciation on the straight-line method at rates designed to depreciate the costs of capital assets over their estimated useful lives, which range from five to ten years.

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

Revenue and Expense Recognition

The Authority records all revenues derived from its designated-issue and 1985A bond programs as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its statutory purpose. Investment income earned from the Authority's General Fund investments is recorded as nonoperating revenue, while all other investment income is recorded as operating.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Assets

The Authority has designated a portion of its unrestricted net assets for use as a debt service reserve fund to support loans to borrowers who are unable to secure credit on their own but meet certain criteria. As of June 30, 2004, approximately \$3,400,000 is held in a separate investment account for this purpose.

Note 2: Deposits and Investments

The Authority has an investment policy that governs the investment of funds held as part of the Authority's General Fund. Under the policy, the Authority may invest in fixed income investments and money market funds. Funds held by trustees for the Authority's bond issues are invested in accordance with the terms of the trust indenture for the particular issue. Investments at June 30, 2004 and 2003, were comprised of the following:

	<u>2004</u>	<u>2003</u>
Money market funds	\$ 19,281	\$ 23,782
U. S. Government agency obligations	5,851	5,701
Guaranteed investment contracts	<u>57,731</u>	<u>48,347</u>
Total investments	\$ <u>82,863</u>	\$ <u>77,830</u>

As of June 30, 2004 and 2003, the Authority's total demand deposits and savings accounts amounted to \$313,956 and \$277,805, while the bank balances were \$319,234 and \$288,743, respectively. For each year, \$100,000 of the bank balance was insured by the Federal Deposit Insurance Corporation. The remaining balances of \$219,234 and \$188,743 at June 30, 2004 and 2003, respectively, were uninsured and uncollateralized. The other amounts classified as restricted cash and cash equivalents at June 30, 2004 and 2003, represent amounts on deposit with trustees for repayment of debt in future periods.

Indiana Health Facility Financing Authority

Notes to Financial Statements June 30, 2004 and 2003 (Table Dollar Amounts in Thousands)

The Authority's investments are categorized to give an indication of the level of credit risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the Authority's name.

The following details the Authority's investments as of June 30, 2004 and 2003:

	2004			Carrying Amount
	1	Category 2	3	
U. S. Government agency obligations	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,851</u>	\$ 5,851
Investments not categorized				
Money market funds				19,281
Guaranteed investment contracts				<u>57,731</u>
Total investments				\$ <u>82,863</u>

	2003			Carrying Amount
	1	Category 2	3	
U. S. Government agency obligations	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,701</u>	\$ 5,701
Investments not categorized				
Money market funds				23,782
Guaranteed investment contracts				<u>48,347</u>
Total investments				\$ <u>77,830</u>

Of the Authority's total cash, cash equivalents, and investments, \$77,012,452 and \$72,129,090 are required to be held in trust for repayment of debt at June 30, 2004 and 2003, respectively.

Note 3: Loans Receivable

The Authority granted \$667,115,000 and \$1,077,560,000 in designated-issue loans to health facilities during the years ended June 30, 2004 and 2003, respectively. The Authority also granted \$22,346,000 from the 1985A bond issue pool during 2003.

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

Note 4: Debt Outstanding

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2004	2003
1985A Revenue Bonds	2016	Adjustable	\$ 92,400	\$ 92,400
Fort Wayne Regional Blood Service and Allen - Wells Chapter of the American Red Cross, Series 1988	2002 - 2017	Variable	2,068	2,168
Capital Access Designated Pool Programs				
Series 1991	2001 - 2006	Variable	1,500	2,000
Series 1997	2002 - 2012	Variable	1,900	5,200
Series 1998	2002 - 2013	Variable	4,000	4,900
Series 2000	2002 - 2020	Variable	12,200	18,100
Series 2000B	2002 - 2016	Variable	6,330	10,025
Series 2002A	2003 - 2012	Variable	8,210	15,940
Community Mental Health and Rehab Facilities Designated Pool Program, Series 1990	2001 - 2020	Variable	2,040	6,940
Rehabilitation Hospital of Indiana, Inc., Series 1990	2001 - 2020	Variable	17,500	18,000
Crossroads Rehabilitation Center, Series 1991	2002 - 2009	Variable	755	885
Marion General Hospital, Series 1991	2001 - 2005	6.75 - 7.00%	—	775
Community Hospitals of Indiana, Series 1992	2001 - 2022	6.25 - 6.85%	18,930	27,030
Deaconess Hospital, Inc., Series 1992	2002 - 2022	Variable	18,500	19,000
Community Hospitals, Series 1992	2006 - 2012	6.40%	34,300	34,300
Marion General Hospital, Series 1992	2001 - 2007	5.70 - 5.80%	4,695	5,715
Deaconess Hospital, Inc., Series 1993	2002 - 2015	5.20 - 5.75%	29,720	31,640
Riverview Hospital, Series 1993	2001 - 2017	6.60 - 6.875%	10,000	10,420
Lafayette Home Hospital, Series 1993	2001 - 2023	5.10 - 6.00%	—	19,015
Community Hospital of Anderson, Series 1993	2002 - 2023	5.30 - 6.00%	21,555	22,185
Columbus Regional Hospital, Series 1993	2001 - 2022	5.00 - 5.85%	23,440	72,970
Union Hospital, Series 1993	2001 - 2023	4.60 - 5.25%	33,360	37,110
Marion General Hospital, Series 1995	2008 - 2025	6.00 - 6.10%	16,180	16,180
Community Hospitals Projects, Series 1995	2002 - 2022	4.90 - 5.70%	54,095	58,110
Lutherwood Project Series 1995	2001 - 2010	Variable	2,100	2,300
The Methodist Hospitals, Inc., Series 1996	2016	6.00%	15,000	15,000
Hancock Memorial Hospital, Series 1996	2001 - 2017	5.625 - 6.125%	15,765	16,540
Cardinal Center, Inc., Series 1996A	2002 - 2016	Variable	820	1,000
Pathfinder Services, Inc., Series 1996	2019	Variable	2,065	2,160

Indiana Health Facility Financing Authority

Notes to Financial Statements June 30, 2004 and 2003 (Table Dollar Amounts in Thousands)

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2004	2003
(continued)				
Clarian Health Partners, Inc., Series 1996A, B, and C	2002 - 2026	4.90 - 6.00% and Variable	\$ 291,635	\$ 298,220
Community Village, Series 1997A and B	2003 - 2027	5.40 - 6.375% and Variable	25,835	26,230
King's Daughters Hospital, Series 1997A	2001 - 2027	4.75 - 5.625%	17,150	17,835
Community Hospitals Project, Series 1997	2020 - 2027	Variable	30,000	30,000
Sisters of St. Francis Health Services, Inc., Series 1997A	2001 - 2027	5.00 - 5.75%	149,450	152,995
Janus Development Services, Inc., Series 1997	2002 - 2013	Variable	740	790
Jackson County Schneck Memorial Hospital, Series 1998	2002 - 2022	4.45 - 5.25%	22,805	23,585
Mary Sherman Memorial Hospital, Series 1998	2002 - 2019	Variable	9,415	9,825
Floyd Memorial Hospital, Series 1998	2002 - 2022	4.50 - 5.40%	18,095	18,710
Fayette Memorial Hospital, Series 1998	2002 - 2003	Variable	558	590
Holy Cross, Series 1998	2001 - 2028	4.50 - 5.375%	77,470	81,425
Greenwood Village South Project, Series 1998	2002 - 2028	5.00 - 5.625%	13,820	14,100
Daviess County Hospital Project, Series 1998	2002 - 2018	4.20 - 5.10%	5,280	5,545
Hamilton Communities Project, Series 1998	2010 and 2030	6.00 - 6.50%	21,000	21,000
Metro Health/Indiana Project, Series 1998	2001 - 2033	6.30 - 6.40%	36,885	36,885
Marquette Manor Project, Series 1998	2001 - 2018	4.125 - 5.00%	10,795	11,300
Franciscan Eldercare and Community Services, Series 1998	2002 - 2029	5.00 - 5.875%	14,015	14,270
St. Francis Health Services, Series 1999A	2001 - 2029	4.00 - 5.25%	142,210	144,910
Riverview Hospital Project, Series 1999	2001 - 2024	4.30 - 5.50%	10,365	10,640
Deaconess Hospital Obligated Group, Series 1999A	2002 - 2029	4.25 - 5.57%	24,165	24,630
Deaconess Hospital Obligated Group, Series 1999B	2019	Variable	15,800	16,400
Hoosier Care Project, Series 1999A	2034	7.125%	21,695	21,900
Hoosier Care Project, Series 1999B	2019	10.50%	925	950
Charity Obligated Group, Series 1999D	2001 - 2024	4.38 - 5.50%	34,430	37,430
Daviess Community Hospital Project, Series 1999	2002 - 2029	4.90 - 6.125%	12,345	12,420
Ascension Health Credit Group, Series 1999B	2033 - 2039	Variable	105,300	105,300
St. Francis Health Services, Series 2000A	2001 - 2030	Variable	100,075	101,800
Anthony Wayne Rehab Center	2002 - 2031	Variable	3,940	4,085
Baptist Homes of Indiana	2002 - 2030	Variable	28,760	29,260
Bethesda Living Centers	2003 - 2031	Variable	5,075	5,150
Clarian Health Obligated Group Series 2000A	2002 - 2030	4.75 - 5.50%	148,755	149,790
Clarian Health Obligated Group Series 2000B	2002 - 2030	Variable	94,900	96,700
Clarian Health Obligated Group Series 2000C	2002 - 2030	Variable	94,900	96,700
Community Hospital Project Series 2000A&B	2002 - 2028	Adjustable	39,600	39,800
Greencroft Obligated Group Series 2000	2002 - 2030	Variable	12,325	12,445

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2004	2003
(continued)				
Greenwood Village South Project	2031	7.40%	\$ 2,305	\$ 2,305
Southern IN Rehabilitation Hospital	2001 - 2020	Adjustable	6,050	6,405
Ascension Health Series 2001A	2036	Adjustable	400,800	400,800
Clark Memorial Hospital Series 2001	2021	Variable	18,740	19,385
Community Foundation of Northwest Indiana Series 2001A	2005 - 2031	5.50 - 6.375%	120,885	120,885
Community Foundation of Northwest Indiana Series 2001B	2025	Adjustable	24,775	25,075
Franciscan Eldercare Services, Inc. Series 2001A	2007 - 2032	5.60 - 6.75%	10,250	10,250
Franciscan Eldercare Services, Inc. Series 2001B	2032	Variable	22,885	28,000
Sisters of St. Francis Health Services, Inc. Series 2001	2002 - 2031	4.125 - 5.75%	72,910	74,050
The Methodist Hospitals, Inc. Series 2001	2002 - 2031	4.00 - 5.50%	72,115	73,335
Parkview Health System Obligated Group Series A,B&C	2004 - 2031	Adjustable	215,625	220,000
Fayette Memorial Hospital Project Series 2002A	2005 - 2032	Variable	13,980	13,980
Golden Years Homestead, Inc. Series 2002A	2012 - 2025	Adjustable	11,500	11,500
Golden Years Homestead, Inc. Series 2002B	2012	Adjustable	1,550	1,800
Henry County Memorial Hospital Series 2002	2003 - 2022	Adjustable	19,035	19,685
Marion General Hospital Project Series 2002	2008 - 2032	4.00 - 5.625%	29,690	29,690
Riverview Hospital Project Series 2002	2024 - 2031	6.00 - 6.125%	20,000	20,000
Union Hospital Series 2002	2027	Variable	15,615	16,000
Fayette Memorial Hospital Association, Inc. Series 2002B	2003 - 2022	Variable	11,795	12,185
United Church Homes	2027	Adjustable	3,940	4,015
Ascension Health Credit Group Series 2002E	2003 - 2032	Variable	36,375	37,075
Ascension Health Credit Group Series 2002F	2003 - 2025	4.00 - 5.50%	97,435	100,825
Grandview Care, Inc.	2023	Adjustable	4,000	4,000
Ascension Health Credit Group Series 2003E1-8	2015 - 2036	Variable	498,475	498,475
Franciscan Communities, Inc. Series 2003A	2004 - 2024	4.00 - 6.40%	11,355	11,650
Franciscan Communities, Inc. Series 2003B	2028	Adjustable	4,335	4,335
Clarian Health Obligated Group Series 2003A, B, C and D	2007 - 2033	Variable	180,000	180,000
Clarian Health Obligated Group Series 2003E, F and G	2007 - 2033	Variable	225,000	225,000
Clarian Health Obligated Group Series 2003H	2007 - 2033	Variable	47,500	—
Clarian Health Obligated Group Series 2003I	2007 - 2033	Variable	47,500	—
Columbus Regional Hospital Project Series 2003	2004 - 2022	Auction	61,000	—
Dunn Memorial Hospital Project Series 2003	2004 - 2023	Adjustable	8,365	—
Major Hospital Project Series 2003	2004 - 2025	Adjustable	34,260	—
Sisters of St. Francis Health Services Series 2003A, B, C, and D	2007 - 2031	Auction	180,000	—

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2004	2003
(continued)				
Floyd Memorial Hospital and Health Services, Series 2003A	2005 - 2034	Variable	\$ 36,475	\$ —
Floyd Memorial Hospital and Health Services, Series 2003B	2005 - 2034	Variable	36,450	—
Community Foundation of Northwest Indiana, Series 2004A	2008 - 2034	3.50 - 6.00%	60,000	—
Deaconess Hospital Obligated Group Series 2004A	2020 - 2034	5.00 - 5.38%	54,765	—
Deaconess Hospital Obligated Group Series 2004B	2010 - 2029	Adjustable	25,000	—
Margaret Mary Community Hospital Series 2004A	2005 - 2029	Variable	22,000	—
Clark Memorial Hospital Project Series 2004A	2024	Variable	9,500	—
Clark Memorial Hospital Project Series 2004B	2024	Variable	5,500	—
Memorial Hospital Project Series 2004A	2024	Variable	21,880	—
Equipment Notes				
Clarian Health Partners, Inc.	2001 - 2007	7.40%	4,812	6,493
Community Hospitals of Indiana, Inc.	2000 - 2005	7.40%	865	1,219
Community Hospitals of Indiana, Inc.	2000 - 2005	7.40%	225	317
Community Hospitals of Indiana, Inc.	2004 - 2009	3.56%	9,244	—
Direct Purchase Bond Program				
Cummins Mental Health Association	2019	Variable	844	—
Geminus	2014	4.75%	2,628	—
Southlake Community Mental Health Center	2014	4.75%	1,190	—
Southwestern Indiana Mental Health Foundation	2019	6.07%	<u>2,123</u>	<u>—</u>
Total debt outstanding			<u>\$ 4,913,487</u>	<u>\$ 4,420,357</u>

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

The interest rate on the 1985A revenue bonds is adjustable weekly and is determined by the bond remarketing agent. During fiscal year 2004, the rate ranged from 0.70% to 1.11% and was 1.05% at June 30, 2004. During fiscal year 2003, the rate ranged from 0.95% to 1.85% and was 1.00% at June 30, 2003. Upon election by the Authority and the satisfaction of certain conditions, the 1985A revenue bonds may be converted to a fixed interest rate.

The interest rates for all other variable rate bonds are determined by remarketing agents in accordance with applicable remarketing agreements. These remarketing agreements take into consideration several factors, including current interest rates and the financial condition of the borrower.

Prior to conversion to a fixed interest rate, registered 1985A bondholders may demand purchase of the bonds at a price equal to principal plus accrued interest. The Authority has entered into an agreement with a bond remarketing agent to arrange for the sale of the bonds which are tendered for purchase prior to maturity. However, if such bonds cannot be remarketed, the Authority has entered into a standby purchase agreement with a bank to purchase the bonds. Any bonds purchased by the bank would bear interest at the bank's prime rate and be due at the same maturity dates. The term of the standby purchase agreement extends until the earlier of the fixed rate conversion date or December 20, 2009, provided certain events of default as specified in the agreement do not occur. As of June 30, 2004 and 2003, none of these events of default had occurred and no bonds had been tendered for purchase. Certain fees to maintain the remarketing and standby purchase agreements are also required to be paid.

During 2004 and 2003, proceeds from the issuance of revenue bonds and/or other amounts received from borrowers were used to refund existing revenue bonds. These amounts were deposited into escrow accounts and invested in government obligations that will be sufficient to pay future principal maturities and accrued interest on the refunded bond issues. Accordingly, the bonds are considered defeased in the year amounts are deposited into escrow.

The following bonds were defeased during fiscal years ended June 30:

	2004	2003
Charity Obligated Group, Series 1999D	\$ 0	\$ 80,830

The balance of all defeased bonds that remain outstanding at June 30, 2004 and 2003 totaled \$396,530,000 and \$455,650,000, respectively.

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

Revenue bond/note debt service requirements to maturity are as follows:

	Principal	Interest
2005	\$ 137,787	\$ 128,022
2006	83,968	125,072
2007	97,125	121,839
2008	99,743	118,441
2009	99,287	114,929
2010 - 2014	507,388	519,896
2015 - 2019	664,981	430,332
2020 - 2024	670,738	327,412
2025 - 2029	824,835	249,612
2030 - 2034	1,109,910	96,315
2035 - 2039	584,300	15,566
2040 - 2044	<u>33,425</u>	<u>123</u>
Total	\$ <u>4,913,487</u>	\$ <u>2,247,559</u>

The future interest requirements for variable rate bonds are based on interest rates in effect at June 30, 2004 on the respective bond issues.

Note 5: Commitments

The Authority has also entered into various agreements relating to the administration of the bond issues as follows:

Description	Annual Fee
Remarketing agreement fee for the remarketing of 1985A bonds tendered for purchase. The agreement extends essentially to the earliest of the fixed rate conversion date or the date of payment of the 1985A bonds.	.10% of the weighted term average 1985A bonds outstanding.
Standby purchase agreement fee for the purchase of tendered 1985A bonds not remarketed. Term of the agreement extends essentially to the earliest of the fixed rate conversion date or December 20, 2009.	25 basis points of the weighted-average 1985A bonds outstanding plus accrued interest for 46 days at 20%. Additional fees would also be due should 1985A bond ratings decline.
1985A bond insurance premium. Term of insurance policy extends to December 1, 2015.	.55% of the weighted-average 1985A bonds outstanding.

Indiana Health Facility Financing Authority

Notes to Financial Statements

June 30, 2004 and 2003

(Table Dollar Amounts in Thousands)

Note 6: Deferred Compensation

The Authority participates in the State of Indiana Public Employees' Deferred Compensation Plan (Plan) established in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees and employees of certain quasi-agencies and political subdivisions within the State, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of participants of the Plan and their beneficiaries as required by section 457(g) of the Internal Revenue Code.

The State has established a deferred compensation committee that holds the fiduciary responsibility for the Plan. The committee holds the deferred amounts in a trust.

Note 7: Employee Benefits

The Authority has a defined-contribution profit-sharing plan. Contributions are at the discretion of the governing body of the Authority and are generally limited to the lesser of \$30,000 or 25% of each employee's total compensation. Employee benefit expense under this plan was \$22,712 and \$13,741 for 2004 and 2003, respectively.